

The University of Maine DigitalCommons@UMaine

Maine Town Documents

Maine Government Documents

2014

Audited Financial Statements Town of Kennebunk, Maine June 30, 2014

Kennebunk, Me.

Follow this and additional works at: <https://digitalcommons.library.umaine.edu/towndocs>

Repository Citation

Kennebunk, Me., "Audited Financial Statements Town of Kennebunk, Maine June 30, 2014" (2014). *Maine Town Documents*. 7631.
<https://digitalcommons.library.umaine.edu/towndocs/7631>

This Report is brought to you for free and open access by DigitalCommons@UMaine. It has been accepted for inclusion in Maine Town Documents by an authorized administrator of DigitalCommons@UMaine. For more information, please contact um.library.technical.services@maine.edu.

Audited Financial Statements

Town of Kennebunk, Maine

June 30, 2014



Proven Expertise and Integrity

TOWN OF KENNEBUNK, MAINE

CONTENTS

JUNE 30, 2014

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 13
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT- WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	14
STATEMENT B - STATEMENT OF ACTIVITIES	15 - 16
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	17
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	18
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	19
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT G - BALANCE SHEET – PROPRIETARY FUNDS	21
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	22
STATEMENT I - STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	23
STATEMENT J - STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	24
STATEMENT K - STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS	25

NOTES TO FINANCIAL STATEMENTS	26 - 50
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	51
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	52
SCHEDULE 2 - SCHEDULE OF FUNDING PROGRESS	53
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	54
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS	55 - 58
SCHEDULE B - COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	59
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	60
SPECIAL REVENUE FUNDS DESCRIPTION	61
SCHEDULE D - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	62
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	63
CAPITAL PROJECT FUNDS DESCRIPTION	64
SCHEDULE F - COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS	65 - 68
SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECT FUNDS	69 - 72
PERMANENT FUNDS DESCRIPTION	73
SCHEDULE H - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	74

SCHEDULE I - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR PERMANENT FUNDS	75
GENERAL CAPITAL ASSETS DESCRIPTION	76
SCHEDULE J - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	77
SCHEDULE K - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	78

STATISTICAL INFORMATION

STATISTICAL INFORMATION DESCRIPTION	79
TABLE 1 – REGIONAL SCHOOL UNIT (RSU) 21'S SCHOOLS	80
TABLE 2 – ENROLLMENT DATA OF THE MUNICIPALITIES IN THE RSU	81
TABLE 3 – STATE VALUATION OF THE MUNICIPALITIES IN THE RSU	82
TABLE 4 – HISTORICAL ALLOCATION FOR THE RSU'S LOCAL COSTS	83
TABLE 5 – BUILDING PERMITS	84
TABLE 6 – EMPLOYMENT	85
TABLE 7 – FUND BALANCE	86
TABLE 8 – TAX LEVY AND COLLECTIONS	87
TABLE 9 – TEN LARGEST TAXPAYERS	88
TABLE 10 – RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND GENERAL BONDED DEBT PER CAPITA	89
TABLE 11 – DEBT SERVICE COMPONENT OF OPERATING EXPENSES	90
TABLE 12 – PROPERTY TAX LEVY LIMIT	91



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Kennebunk
Kennebunk, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 4 through 13 and 52 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kennebunk, Maine's basic financial statements. The combining and individual non-major fund financial statements and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

RHR Smith & Company

Buxton, Maine
December 16, 2014

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(UNAUDITED)

The following management's discussion and analysis of Town of Kennebunk, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Kennebunk's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net

position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of Kennebunk are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation and culture, health and welfare and education.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Kennebunk include Pay-As-You-Throw (PAYT) trash program and electrical inspection program.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kennebunk, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Kennebunk can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the

government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Kennebunk presents three columns in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund and roads and paving. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Kennebunk maintains two proprietary funds, the Pay-As-You-Throw trash program and electrical inspection program. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Kennebunk. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Fiduciary Fund Financial Statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total governmental net position increased by \$952,572 from \$25,277,439 to \$26,230,011. The Town's total business-type net position increased by \$151,440 from a deficit of \$233,252 to a deficit of \$81,812.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$12,433,327 at the end of this year. Unrestricted net position for business-type activities increased to a deficit balance of \$83,738.

On June 10, 2014, the voters at the Town's Annual Town Meeting passed a referendum question that will, as of July 1, 2014, transfer \$75,125 from the unassigned general fund balance to the Pay-As-You-Throw Trash Program which will reduce the above business-type activities deficit from \$83,738 to \$8,613.

Table 1
Town of Kennebunk, Maine
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Assets				
Current and other assets	\$ 16,845,034	\$ 11,517,261	\$ (81,812)	\$ (233,252)
Capital assets	22,873,503	22,433,375	-	-
Total assets	<u>39,718,537</u>	<u>33,950,636</u>	<u>(81,812)</u>	<u>(233,252)</u>
Liabilities				
Current liabilities	3,186,311	2,013,139	-	-
Long-term debt outstanding	10,106,185	6,418,899	-	-
Total liabilities	<u>13,292,496</u>	<u>8,432,038</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred revenue	196,030	241,159	-	-
Total deferred inflows of resources	<u>196,030</u>	<u>241,159</u>	<u>-</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	12,103,059	15,738,841	-	-
Restricted	1,693,625	530,452	1,926	2,054
Unrestricted (deficit)	12,433,327	9,008,146	(83,738)	(235,306)
Total net position	<u>\$ 26,230,011</u>	<u>\$ 25,277,439</u>	<u>\$ (81,812)</u>	<u>\$ (233,252)</u>

Table 2
Town of Kennebunk, Maine
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 2,083,889	\$ 1,659,327	\$ 457,349	\$ 482,511
Operating grants and contributions	169,772	166,689	-	-
Capital grants and contributions	-	478,615	-	-
<i>General Revenues:</i>				
Taxes	31,772,560	29,912,596	-	-
Grants and contributions not restricted to specific programs	827,902	1,099,882	-	-
Miscellaneous	336,911	352,444	-	-
Bond premium	220,691	-	-	-
Total revenues	<u>35,411,725</u>	<u>33,669,553</u>	<u>457,349</u>	<u>482,511</u>
Expenses				
General government	2,090,692	1,850,661	-	-
Public safety	4,280,453	4,146,089	-	-
Recreation and culture	1,370,586	1,239,882	-	-
Health and welfare	272,622	278,106	466,091	557,752
Public works	2,051,347	1,994,537	-	-
Education	20,660,409	19,544,108	-	-
County tax	1,272,817	1,152,525	-	-
Employee benefits	1,582,080	1,518,584	-	-
Agency requests	32,115	32,115	-	-
Interest on long-term debt	295,501	224,403	-	-
Unclassified	212,010	127,540	-	-
Bond issuance costs	41,178	-	-	-
Unallocated depreciation (Note 4)	137,161	139,161	-	-
Total expenses	<u>34,298,971</u>	<u>32,247,711</u>	<u>466,091</u>	<u>557,752</u>
Transfers	<u>(160,182)</u>	<u>-</u>	<u>160,182</u>	<u>-</u>
Change in net position	952,572	1,421,842	151,440	(75,241)
Net position - July 1	<u>25,277,439</u>	<u>23,855,597</u>	<u>(233,252)</u>	<u>(158,011)</u>
Net position - June 30	<u>\$ 26,230,011</u>	<u>\$ 25,277,439</u>	<u>\$ (81,812)</u>	<u>\$ (233,252)</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 5.17%, while total expenses increased by 6.36%. The main increase in revenues was in taxes and the largest increase in expenses was in education.

Proprietary fund revenues and expenses were consistent with the previous year with minor increases or decreases.

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Kennebunk, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2014</u>	<u>2013</u>
Major Funds:		
General fund:		
Nonspendable	\$ 248,736	\$ 231,483
Committed	998,333	840,026
Assigned	99,590	132,621
Unassigned	8,154,810	7,444,341
Subtotal General Fund	<u>9,501,469</u>	<u>8,648,471</u>
Roads & Paving		
Committed	1,086,693	-
Unassigned	-	(152,010)
Total Major Funds	<u><u>\$ 10,588,162</u></u>	<u><u>\$ 8,496,461</u></u>
Nonmajor Funds:		
Special revenue funds:		
Restricted	\$ 1,367,992	\$ 334,417
Assigned	165,664	151,898
Unassigned	(113,768)	(869,732)
Capital Projects:		
Restricted	256,762	122,238
Committed	1,661,949	1,415,361
Assigned	11,035	12,567
Unassigned	(85,024)	(508,308)
Permanent funds:		
Restricted	68,871	73,797
Total Nonmajor Funds	<u><u>\$ 3,333,481</u></u>	<u><u>\$ 732,238</u></u>

The general fund total fund balance increased by \$852,998 from the prior fiscal year and the major capital projects increased by \$1,238,703. The non-major fund balances increased by \$2,601,243 from the prior fiscal year.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Pay-As-You-Throw (PAYT) trash program had an operating loss for the current year of \$8,614. Likewise, the electrical inspection program had an operating loss for the current year of \$128. The Town is reviewing the PAYT program for future periods. The current year deficit was a result mostly of increased tipping fees charged contractually by Casella Waste Systems, Inc., and Pine Tree Waste, Inc., as well as increased curbside collections fees charged contractually by Oceanside Rubbish, Inc. and Corcoran Environmental Services.

Budgetary Highlights

The significant differences between the original and final budget for the general fund was the use of committed and assigned fund balances.

The general fund actual revenues exceeded the budget by \$933,679. This was a result of nearly all revenue categories being receipted in excess of the budgeted amounts.

The general fund actual expenditures were under the budget by \$891,966. All expenditure categories were under budget with the exception of public works and recreation and culture.

The overage in Recreation and Culture was primarily due to increased recreation programs offered to the community. The extra expenditures were paid for through additional revenues charged and received from the program participants.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the net book value of capital assets recorded by the Town increased by \$440,128. This increase was the result of current year additions of \$1,941,752, less current year depreciation of \$1,501,624. Refer to Note 4 of Notes to Financial Statements for more detailed information.

Table 4
Town of Kennebunk, Maine
Capital Assets (Net of Depreciation)
June 30,

	2014	2013
Land and improvements	\$ 3,394,608	\$ 3,517,740
Buildings and building improvements	3,463,279	3,338,335
Furniture and fixtures	39,119	45,744
Machinery, equipment and vehicles	2,915,698	2,886,475
Art work and historical treasures	41,000	41,000
Construction in progress	774,734	314,831
Infrastructure	<u>12,245,065</u>	<u>12,289,250</u>
Total	<u><u>\$ 22,873,503</u></u>	<u><u>\$ 22,433,375</u></u>

Long-Term Debt Activity

At June 30, 2014, the Town had \$10,764,000 in bonds outstanding versus \$6,685,000 last year. Other obligations include capital leases, accrued vacation and sick time and pension benefit obligations. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The local, state and national economic climate appears to be improving slowly. Through the use of unassigned general fund balance, the net municipal budget remained unchanged from fiscal year 2013 to 2014. For fiscal year 2015 the net budget increased by 3.1% due to contractual obligations, a small overall wage increase, and converting and adding several employee positions to full-time.

Even though the overall net budget for the Town increased by 1.4%, growth in the Town's valuation (also known as tax base) resulted in the tax mil rate decreasing from \$14.95 to \$14.90 for 2015.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager or Finance Director at 1 Summer Street, Kennebunk, Maine 04043.

TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,707,314	\$ -	\$ 13,707,314
Investments	1,644,405	-	1,644,405
Accounts receivable (net of allowance for uncollectibles):			
Taxes	698,098	-	698,098
Liens	152,393	-	152,393
Other	156,911	155,365	312,276
Tax acquired property	248,736	-	248,736
Internal balances	237,177	(237,177)	-
Total current assets	16,845,034	(81,812)	16,763,222
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	3,294,382	-	3,294,382
Depreciable assets, net of accumulated depreciation	19,579,121	-	19,579,121
Total noncurrent assets	22,873,503	-	22,873,503
TOTAL ASSETS	\$ 39,718,537	\$ (81,812)	\$ 39,636,725
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 831,827	\$ -	\$ 831,827
Accrued payroll	458,696	-	458,696
Other liabilities	663,616	-	663,616
Current portion of long-term obligations	1,232,172	-	1,232,172
Total current liabilities	3,186,311	-	3,186,311
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	9,535,000	-	9,535,000
Capital leases payable	3,272	-	3,272
Accrued compensated absences	327,621	-	327,621
Pension benefit obligations	240,292	-	240,292
Total noncurrent liabilities	10,106,185	-	10,106,185
TOTAL LIABILITIES	13,292,496	-	13,292,496
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	196,030	-	196,030
TOTAL DEFERRED INFLOWS OF RESOURCES	196,030	-	196,030
NET POSITION			
Net investment in capital assets	12,103,059	-	12,103,059
Restricted	1,693,625	1,926	1,695,551
Unrestricted (deficit)	12,433,327	(83,738)	12,349,589
TOTAL NET POSITION	26,230,011	(81,812)	26,148,199
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 39,718,537	\$ (81,812)	\$ 39,636,725

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

TOWN OF KENNEBUNK, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues					
		Charges for	Operating Grants	Capital Grants	Governmental	Business-	
Functions/Programs	Expenses	Services	& Contributions	& Contributions	Activities	type Activities	Totals
Governmental activities:							
General government	\$ 2,090,692	\$ 96,301	\$ -	\$ -	\$ (1,994,391)	\$ -	\$ (1,994,391)
Public safety	4,280,453	1,024,174	-	-	(3,256,279)	-	(3,256,279)
Recreation and culture	1,370,586	738,148	-	-	(632,438)	-	(632,438)
Health and welfare	272,622	9,600	-	-	(263,022)	-	(263,022)
Public works	2,051,347	215,666	169,772	-	(1,665,909)	-	(1,665,909)
Education	20,660,409	-	-	-	(20,660,409)	-	(20,660,409)
County tax	1,272,817	-	-	-	(1,272,817)	-	(1,272,817)
Employee benefits	1,582,080	-	-	-	(1,582,080)	-	(1,582,080)
Agency requests	32,115	-	-	-	(32,115)	-	(32,115)
Interest on long-term debt	295,501	-	-	-	(295,501)	-	(295,501)
Unclassified	212,010	-	-	-	(212,010)	-	(212,010)
Bond issuance costs	41,178	-	-	-	(41,178)	-	(41,178)
Unallocated depreciation (Note 4)*	137,161	-	-	-	(137,161)	-	(137,161)
Total governmental activities	34,298,971	2,083,889	169,772	-	(32,045,310)	-	(32,045,310)
Business-type activities:							
Pay-As-You-Throw Trash Program	447,926	439,312	-	-	-	(8,614)	(8,614)
Electrical Inspection Program	18,165	18,037	-	-	-	(128)	(128)
Total business-type activities	466,091	457,349	-	-	-	(8,742)	(8,742)
Total government	\$ 34,765,062	\$ 2,541,238	\$ 169,772	\$ -	(32,045,310)	(8,742)	(32,054,052)

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)
TOWN OF KENNEBUNK, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Changes in net position:			
Net (expense) revenue	<u>(32,045,310)</u>	<u>(8,742)</u>	<u>(32,054,052)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	29,715,673	-	29,715,673
Excise taxes	2,056,887	-	2,056,887
Grants and contributions			
not restricted to specific programs	827,902	-	827,902
Miscellaneous	336,911	-	336,911
Bond premium	220,691	-	220,691
Transfers	<u>(160,182)</u>	<u>160,182</u>	<u>-</u>
Total general revenues and transfers	<u>32,997,882</u>	<u>160,182</u>	<u>33,158,064</u>
Change in net position	952,572	151,440	1,104,012
NET POSITION - JULY 1	<u>25,277,439</u>	<u>(233,252)</u>	<u>25,044,187</u>
NET POSITION - JUNE 30	<u><u>\$ 26,230,011</u></u>	<u><u>\$ (81,812)</u></u>	<u><u>26,148,199</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Roads & Paving	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,624,352	\$ -	\$ 82,962	\$ 13,707,314
Investments	1,644,405	-	-	1,644,405
Accounts receivables (net of allowance for uncollectibles):				
Taxes	698,098	-	-	698,098
Liens	152,393	-	-	152,393
Other	156,911	-	-	156,911
Tax acquired property	248,736	-	-	248,736
Due from other funds	451,986	1,086,693	3,463,402	5,002,081
TOTAL ASSETS	<u>\$ 16,976,881</u>	<u>\$ 1,086,693</u>	<u>\$ 3,546,364</u>	<u>\$ 21,609,938</u>
LIABILITIES				
Accounts payable	\$ 831,827	\$ -	\$ -	\$ 831,827
Accrued payroll	458,696	-	-	458,696
Other liabilities	663,616	-	-	663,616
Due to other funds	4,552,021	-	212,883	4,764,904
TOTAL LIABILITIES	<u>6,506,160</u>	<u>-</u>	<u>212,883</u>	<u>6,719,043</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	196,030	-	-	196,030
Deferred tax revenue	773,222	-	-	773,222
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>969,252</u>	<u>-</u>	<u>-</u>	<u>969,252</u>
FUND BALANCES				
Nonspendable	248,736	-	-	248,736
Restricted	-	-	1,693,625	1,693,625
Committed	998,333	1,086,693	1,661,949	3,746,975
Assigned	99,590	-	176,699	276,289
Unassigned	8,154,810	-	(198,792)	7,956,018
TOTAL FUND BALANCES	<u>9,501,469</u>	<u>1,086,693</u>	<u>3,333,481</u>	<u>13,921,643</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 16,976,881</u>	<u>\$ 1,086,693</u>	<u>\$ 3,546,364</u>	<u>\$ 21,609,938</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 13,921,643
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	22,873,503
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	773,222
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Capital leases payable	(6,444)
Bonds payable	(10,764,000)
Accrued compensated absences	(327,621)
Pension benefit obligations	<u>(240,292)</u>
Net position of governmental activities	<u><u>\$ 26,230,011</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Roads & Paving	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 29,744,800	\$ -	\$ -	\$ 29,744,800
Excise taxes	2,056,887	-	-	2,056,887
Intergovernmental revenues	996,149	-	1,525	997,674
Charges for services	2,040,856	25,933	17,100	2,083,889
Miscellaneous revenues	282,803	-	54,108	336,911
TOTAL REVENUES	35,121,495	25,933	72,733	35,220,161
EXPENDITURES				
Current:				
General government	1,790,963	-	191,715	1,982,678
Public Safety	3,827,191	-	15,789	3,842,980
Public Works	1,182,428	23,157	8,191	1,213,776
Education	20,660,409	-	-	20,660,409
County tax	1,272,817	-	-	1,272,817
Recreation & culture	1,321,385	-	15,991	1,337,376
Health & welfare	272,622	-	-	272,622
Employee benefits	1,582,080	-	-	1,582,080
Agency request	32,115	-	-	32,115
Capital outlay	-	425,073	1,516,679	1,941,752
Debt Service:				
Principal	-	-	1,168,090	1,168,090
Interest	-	-	295,501	295,501
Unclassified	112,495	-	75,857	188,352
TOTAL EXPENDITURES	32,054,505	448,230	3,287,813	35,790,548
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,066,990	(422,297)	(3,215,080)	(570,387)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	1,656,000	3,588,000	5,244,000
Premiums on bond issuance	-	-	220,691	220,691
Bond issuance costs	-	-	(41,178)	(41,178)
Transfers in	41,914	5,000	2,105,724	2,152,638
Transfers (out)	(2,255,906)	-	(56,914)	(2,312,820)
TOTAL OTHER FINANCING SOURCES (USES)	(2,213,992)	1,661,000	5,816,323	5,263,331
NET CHANGE IN FUND BALANCES	852,998	1,238,703	2,601,243	4,692,944
FUND BALANCES - JULY 1	8,648,471	(152,010)	732,238	9,228,699
FUND BALANCES - JUNE 30	\$ 9,501,469	\$ 1,086,693	\$ 3,333,481	\$ 13,921,643

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 4,692,944</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases	1,941,752
Depreciation expense	<u>(1,501,624)</u>
	<u>440,128</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>1,168,090</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	
	<u>(5,244,000)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(51,805)
Pension benefit obligations	<u>(23,658)</u>
	<u>(75,463)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>(29,127)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 952,572</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	Totals
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	155,365	-	155,365
Due from other funds	-	1,926	1,926
Total assets	<u>\$ 155,365</u>	<u>\$ 1,926</u>	<u>\$ 157,291</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	239,103	-	239,103
Total liabilities	<u>239,103</u>	<u>-</u>	<u>239,103</u>
NET POSITION			
Restricted	-	1,926	1,926
Unrestricted (deficit)	(83,738)	-	(83,738)
Total net position	<u>(83,738)</u>	<u>1,926</u>	<u>(81,812)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 155,365</u>	<u>\$ 1,926</u>	<u>\$ 157,291</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	Totals
OPERATING REVENUES			
Charges for services	\$ 439,312	\$ 18,037	\$ 457,349
TOTAL OPERATING REVENUES	<u>439,312</u>	<u>18,037</u>	<u>457,349</u>
OPERATING EXPENSES			
Program supplies	447,926	18,165	466,091
TOTAL OPERATING EXPENSES	<u>447,926</u>	<u>18,165</u>	<u>466,091</u>
OPERATING INCOME (LOSS)	<u>(8,614)</u>	<u>(128)</u>	<u>(8,742)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	160,182	-	160,182
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>160,182</u>	<u>-</u>	<u>160,182</u>
CHANGE IN NET POSITION	151,568	(128)	151,440
NET POSITION - JULY 1	<u>(235,306)</u>	<u>2,054</u>	<u>(233,252)</u>
NET POSITION - JUNE 30	<u>\$ (83,738)</u>	<u>\$ 1,926</u>	<u>\$ (81,812)</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 333,673	\$ 18,037	\$ 351,710
Internal activity - receipts (payments) from/to other funds	(45,929)	128	(45,801)
Payments to suppliers	(447,926)	(18,165)	(466,091)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(160,182)	-	(160,182)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from general fund	160,182	-	160,182
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	160,182	-	160,182
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (8,614)	\$ (128)	\$ (8,742)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(105,639)	-	(105,639)
(Increase) decrease in due from other funds	-	128	128
Increase (decrease) in due to other funds	(45,929)	-	(45,929)
	\$ (160,182)	\$ -	\$ (160,182)

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Private- Purpose Trust</u>
ASSETS	
Accounts receivable-employees	\$ 124,947
Investments, at fair value	<u>3,406,488</u>
TOTAL ASSETS	<u><u>\$ 3,531,435</u></u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for special purposes	<u>3,531,435</u>
TOTAL NET POSITION	<u><u>3,531,435</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,531,435</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Private- Purpose Trust</u>
ADDITIONS	
Contributions	\$ 219,857
Net increase (decrease) in the fair value of investments	492,844
Net increase (decrease) in loans receivable	<u>(13,585)</u>
Total additions	<u>699,116</u>
DEDUCTIONS	
Distributions	253,451
Service fees	<u>1,395</u>
Total deductions	<u>254,846</u>
Change in net position	444,270
NET POSITION - JULY 1	<u>3,087,165</u>
NET POSITION - JUNE 30	<u><u>\$ 3,531,435</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Kennebunk, Maine was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, and recreation and culture.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39 and 61.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Pay-As-You-Throw (PAYT) trash program and electrical inspection programs are categorized as business-type activities. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- d. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net position and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A meeting of the inhabitants of the Town is called for the purpose of adopting the proposed budget after public notice of the meeting is given.
3. The budget is adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Kennebunk, Maine has a formal investment policy, and also follows the State of Maine Statutes.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$62,552 as of June 30, 2014 for ambulance receivables.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2014, the Town's liability for compensated absences is \$327,621.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no deferred outflows of resources.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Other deferred revenues also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 23, 2013 on the assessed value listed as of April 1, 2013, for all real and personal property located in the Town. Taxes were due on in two installments on October 4, 2013 and April 4, 2014. Interest on unpaid taxes commenced on October 5, 2013 and April 5, 2014, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$705,160 for the year ended June 30, 2014.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Operating/Non-operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy specifically covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are members of the F.D.I.C. as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. As of June 30, 2014, the Town reported deposits of \$13,707,314 with a bank balance of \$13,696,472. None of the Town's bank balances of \$13,696,472 were exposed to custodial credit risk. Balances were either covered by F.D.I.C. insurance or by a stand-by irrevocable letter of credit drawn on a federally-backed institution purchased on behalf of the Town by the respective banking institution.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 809,233
Savings accounts	36,133
Money market accounts	12,851,106
	<u>\$ 13,696,472</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a specific policy for custodial credit risk for investments.

Fiduciary Fund

The fiduciary fund is used to report assets held in a trustee or agency capacity for employee retirement or deferred compensation benefits and therefore are not available to support Town programs. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. All of the investments were held in various mutual funds, stocks and bonds that were uninsured and uncollateralized, and therefore exposed to custodial credit risk.

Governmental Funds

Of the Town's investment in certificates of deposits totaling \$1,644,405, none of the Town's investments were exposed to custodial credit risk. Balances were either covered by F.D.I.C. insurance, a stand-by irrevocable letter of credit drawn on a federally-backed institution purchased on behalf of the Town by the respective banking institution, or federally-backed securities pledged as collateral on behalf of the Town owned by the respective banking institution.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2014, the Town had the following investments and maturities:

Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	Not Applicable
Fiduciary Fund:				
Cash management funds	\$ 331,870	\$ -	\$ -	\$ 331,870
Bond funds	114,317	-	-	114,317
Asset allocation funds	1,543,393	-	-	1,543,393
Stocks - U. S.	1,214,194	-	-	1,214,194
Stocks - International	186,002	-	-	186,002
Speciality	16,712	-	-	16,712
Total - Fiduciary Fund	<u>3,406,488</u>	<u>-</u>	<u>-</u>	<u>3,406,488</u>
Governmental Funds:				
Certificates of deposit	<u>1,644,405</u>	<u>1,535,098</u>	<u>109,307</u>	<u>-</u>
Total - Governmental Funds	<u>1,644,405</u>	<u>1,535,098</u>	<u>109,307</u>	<u>-</u>
	<u>\$ 5,050,893</u>	<u>\$ 1,535,098</u>	<u>\$ 109,307</u>	<u>\$ 3,406,488</u>

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various insured or fully collateralized certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2014 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 451,986	\$ 4,552,021
Roads & Paving	1,086,693	-
Enterprise fund	1,926	239,103
Nonmajor special revenue funds	1,533,656	113,768
Nonmajor capital projects fund	1,929,746	85,024
Nonmajor permanent funds	-	14,091
Totals	<u>\$ 5,004,007</u>	<u>\$ 5,004,007</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2014:

	Balance, 7/1/13	Additions	Deletions	Balance, 6/30/14
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 2,478,648	\$ -	\$ -	\$ 2,478,648
Art works & historical treasures	41,000	-	-	41,000
Construction in progress	314,831	774,734	(314,831)	774,734
	<u>2,834,479</u>	<u>774,734</u>	<u>(314,831)</u>	<u>3,294,382</u>
Depreciated assets:				
Land improvements	1,506,313	14,606	-	1,520,919
Buildings	1,465,055	-	-	1,465,055
Building improvements	6,602,164	370,787	-	6,972,951
Furniture & fixtures	291,433	-	-	291,433
Machinery & equipment	3,763,758	305,491	-	4,069,249
Vehicles	5,241,015	298,217	-	5,539,232
Infrastructure:				
Bridges	15,000	21,047	-	36,047
Drainage system	375,725	167,393	-	543,118
Roads	17,757,765	236,681	-	17,994,446
Sewer lines	316,306	-	-	316,306
Sidewalks	2,116,550	67,627	-	2,184,177
	<u>39,451,084</u>	<u>1,481,849</u>	<u>-</u>	<u>40,932,933</u>
Less: accumulated depreciation	<u>(19,852,188)</u>	<u>(1,501,624)</u>	<u>-</u>	<u>(21,353,812)</u>
	<u>19,598,896</u>	<u>(19,775)</u>	<u>-</u>	<u>19,579,121</u>
Net capital assets	<u>\$ 22,433,375</u>	<u>\$ 754,959</u>	<u>\$ (314,831)</u>	<u>\$ 22,873,503</u>
<u>Current year depreciation</u>				
Administration				\$ 56,209
Police				177,037
Fire				260,436
Public works				837,571
Parks & recreation				33,210
Town-wide				137,161
Total depreciation expense				<u>\$ 1,501,624</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2014:

<u>Governmental Activities</u>	<u>Balance, 7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 6/30/14</u>	<u>Current Portion</u>
Bonds payable	\$ 6,685,000	\$ 5,244,000	\$ (1,165,000)	\$ 10,764,000	\$ 1,229,000
Capital leases payable	9,534	-	(3,090)	6,444	3,172
Accrued compensated absences	275,816	51,805	-	327,621	-
Pension benefit obligations	216,634	23,658	-	240,292	-
	<u>\$ 8,000,959</u>	<u>\$ 5,319,463</u>	<u>\$ (1,168,090)</u>	<u>\$ 11,338,357</u>	<u>\$ 1,232,172</u>

The following is a summary of outstanding bonds payable:

	<u>Governmental Activities</u>
\$995,000, 2004 General Obligation bond due in annual principal installments varying from \$100,000 to \$95,000. The interest rate varies from 2.000% to 3.875% per annum. Maturity in October 2014.	\$ 95,000
\$1,360,000, 2007 General Obligation bond due in annual principal installments of \$95,000 to \$50,000. The interest rate varies from 4.00% to 5.00% per annum. Maturity in October 2026.	695,000
\$6,252,000, 2010 General Obligation bond due in annual installments and semi annual interest installments through October 2029. The interest rate varies from 1.50% to 4.00% per annum. Annual principal installments are from \$120,000 to \$382,000.	4,730,000
\$5,244,000, 2013 General Obligation bond due in annual installments and semi annual interest installments through October 2028. The interest rate varies from 2.00% to 4.00% per annum. Annual principal installments are from \$170,000 to \$659,000.	5,244,000
	<u>\$ 10,764,000</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

Year	Governmental Activities		Total Debt Service
	Principal	Interest	
2015	\$ 1,229,000	\$ 333,910	\$ 1,562,910
2016	975,000	298,479	1,273,479
2017	950,000	264,174	1,214,174
2018	950,000	229,859	1,179,859
2019	885,000	196,649	1,081,649
2020-2024	3,790,000	638,075	4,428,075
2025-2029	1,865,000	168,203	2,033,203
2030-2034	120,000	2,400	122,400
	<u>\$ 10,764,000</u>	<u>\$ 2,131,749</u>	<u>\$ 12,895,749</u>

The following is a summary of outstanding capital leases payable:

\$15,591, 2011 Capital lease payable to People's United Bank for photocopiers due in annual installments through July 2015. Interest is charged at a rate of 2.99% per annum. Annual payments are \$3,370.

\$ 6,444

The following is a summary of outstanding capital lease requirements for the following fiscal years ending June 30:

Year Ending June 30:	
2015	\$ 3,370
2016	3,370
Total minimum lease payments	<u>6,740</u>
Less amount representing interest	<u>(296)</u>
Present value of future minimum lease payments	<u>\$ 6,444</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – EXPENDITURES OVER APPROPRIATIONS

The following expenditures were overspent at June 30, 2014:

Public services (referendum question 3)	<u>\$ 161,297</u>
---	-------------------

NOTE 7 – NONSPENDABLE FUND BALANCES

At June 30, 2014, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	<u>\$ 248,736</u>

NOTE 8 – RESTRICTED FUND BALANCES

At June 30, 2014, the Town had the following restricted fund balances:

Nonmajor special revenue funds (See Schedule D)	1,367,992
Nonmajor capital project funds (See Schedule F)	256,762
Nonmajor permanent funds (See Schedule H)	68,871
	<u>\$ 1,693,625</u>

NOTE 9 – COMMITTED FUND BALANCES

At June 30, 2014, the Town has the following committed fund balances:

General fund:	
Matching grant funds	\$ 44,000
Bicentennial celebration	4,333
Capital assets/projects	850,000
Debt service during 2015	100,000
Roads & Paving	1,086,693
Nonmajor capital project funds (See Schedule F)	1,661,949
	<u>\$ 3,746,975</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – ASSIGNED FUND BALANCES

At June 30, 2014, the Town had the following assigned fund balances:

General fund:

Heating assistance	\$ 15,561
Assessors office	6,114
Conservation commission	11,196
Downtown committee	177
West Kennebunk Village committee	3,109
Energy efficiency	1,580
Tree committee	3,061
Donations	2,810
General government training	6,846
Computer training	9,690
Community development training	4,793
Lower Village	2,861
Property tax assistance	4,372
Operational contingency	27,420
Nonmajor special revenue funds (See Schedule D)	165,664
Nonmajor capital project funds (See Schedule F)	11,035
	<u>\$ 276,289</u>

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently the Town participates in several public-entity and self-insured risk pools sponsored by the Maine Municipal Association.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2014. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 – OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2014, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 9,039,396	7.23%	\$ 653,548
RSU No. 21	15,937,384	61.28%	9,766,429
			<u>\$ 10,419,977</u>

NOTE 13 – DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLD's Consolidated Plan Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333 or by calling (800) 451-9800.

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the PLD's Consolidated Board of Trustees. The Town's police department employees are part of the PLD's special plan "2C" and are required to contribute 6.5% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute 6.5% of their annual salary. During fiscal year 2014 the Town was required to contribute 7.9% of special plan "2C" members' covered payroll and 6.5% of the plan "AC" members' covered payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer's percentage of employees' covered payroll to determine the employers actual cost. The Town's contributions for both plans, including

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

employee contributions for the years ended June 30, 2014, 2013 and 2012 were: \$252,532, \$179,564, and \$146,026, respectively.

As of June 30, 2013, the Town had an unfunded actuarial accrued liability credit of \$21,418, computed using the actuarial method used for funding purposes. (The amount of the unfunded actuarial accrued liability credit as of June 30, 2014 is not currently available.) This credit is being used to reduce future contributions and is being amortized over a closed period of 18 years from July 1, 1999.

NOTE 14 – DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION –
RETIREMENT CORPORATION

A. Plan Description

The Town offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401. The plan, available to all full-time Town employees unless the employee is actively participating in the Town's Maine Public Employee Retirement System defined benefit pension plan, permits them to defer a portion of their salary until retirement. The deferred amount and the vested portion of the employer match is not available to the employee until retirement or death, or in case of other life events as allowed by law.

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits the employee to defer a portion of salary until future years. There is no employer match by the Town. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 – DEFERRED COMPENSATION PLAN (CONTINUED)

B. Funding Policy

Under the defined contribution plan, employees may elect to participate. Participating members are required to contribute 6.5% of their annual covered salary and the Town is required to match 100% of the employee's contribution. The employee's contribution is tax deferred for federal and state taxes until the withdrawal date. The employee's contribution vests 100% with the employee when contributed. The Town's matching contribution vests 100% with the employee at the end of three years of service. The Town's contributions for the plan, including employee contributions for the years ended June 30, 2014, 2013 and 2012 were: \$170,042, \$158,112, and \$161,048, respectively. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$371,553, \$355,032, and \$366,013 for the years ended June 30, 2014, 2013 and 2012, respectively.

NOTE 15 – CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

The Town is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as Maine PERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. The Town does not supplement the cost of this coverage directly, but recognizes the liability for inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

retirees. As of January 1, 2013, the date of the most recent Actuarial Valuation Report, there were five retirees and fifty-two employees.

Benefits provided – The Town provides medical and prescription drug coverage to retirees and their eligible spouses and dependents. Pre-Medicare retirees are offered the same plans that are available to the active employees. The plans are provided through the Health Trust, and include the Comprehensive Point of Service Plan C and the PPO 500 Value Plan.

Funding policy – Retirees contribute all of the premiums as determined by the Town, but the remainder of the costs as derived from the implicit subsidy are paid by the Town on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligations

The Town of Kennebunk's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The Town's annual OPEB cost for the fiscal year ended June 30, 2014 including the amount actually contributed to the plan and the change in the Town's net OPEB obligation using the level of funding amortization method is as follows:

Normal cost	\$ 13,508
Amortization of unfunded liability	15,440
Interest	573
Annual required contribution	<u>29,521</u>
Interest on net OPEB obligation	8,665
Adjustment to annual required contribution	<u>(12,528)</u>
Annual OPEB cost	25,658
Contributions made	<u>(2,000)</u>
Increase in net OPEB obligation	23,658
Net OPEB obligation, beginning of year	<u>216,634</u>
Net OPEB obligation, end of year	<u><u>\$ 240,292</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012 are as follows:

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2012	\$ 33,771	\$ -	0.0%	\$ 192,546
6/30/2013	\$ 26,088	\$ -	0.0%	\$ 216,634
6/30/2014	\$ 25,658	\$ -	0.0%	\$ 240,292

The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability	\$ 277,670
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 277,670</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll of Active Plan Members	\$ 2,976,194
UAAL as a percentage of Covered Payroll	9.3%

Methods of Assumptions – The projected unit credit (PUC) cost method was used for the valuation. The amortization method is the level dollar open, amortized over 30 years. Under the PUC method, benefits are projected for life, and their present value is determined. The present value is divided into equal parts, which are earned from date of hire to each decrement age. An open 30 year amortization period was used. The amortization method is a level dollar amortization method. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information of the latest actuarial valuation is as follows:

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Valuation Date	1/1/2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Open
Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate	4.00%
Rate of Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.25%

The required schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 17 – DEFICIT FUND BALANCES/NET POSITION

At June 30, 2014, the Town has the following funds with deficit fund balances or net position:

Deficit fund balances:	
Highway equipment	\$ 15,563
Mousam Ridge Drainage	29,393
Parks & recreation projects	40,068
Lower Village TIF	113,768
	<u>\$ 198,792</u>
Deficit net position:	
Pay-As-You-Throw Trash Program	<u>\$ 83,738</u>

NOTE 18 - TAX INCREMENT FINANCING DISTRICTS

Under Maine law, the Town has established three Tax Increment Financing (TIF) Districts to build or improve public infrastructure, to repay principal and interest on any indebtedness incurred to fund such infrastructure, and expenditures to promote economic development within each TIF as prescribed by the underlying state-approved TIF agreements. The West Kennebunk TIF Utility Corridor amendment also allows for the acquisition of emergency and maintenance vehicles and equipment, and the repayment of a portion of the West Kennebunk Fire Station bond principal and interest.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 18 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

There was activity in all of the TIFs for fiscal year 2014. The revenue for each TIF is determined based on the so-called "captured assessed value." Revenues and expenditures for each district are accounted for as Special Revenue Funds. During 2012, the Route 1 TIF and the West Kennebunk TIF were amended to allow for Credit Enhancement Agreements (CEAs). As of June 30, 2014, one CEA existed for the property identified as Lot 59 on Tax Map 51 of the Town, within the Route 1 District. This CEA was authorized at a Special Town Meeting held on January 31, 2012.

The status of the Tax Increment Financing Districts is summarized below.

	Route 1 TIF	West Kennebunk TIF - Original Area	West Kennebunk TIF - Utility Corridor	Total West Kennebunk TIF	Lower Village TIF
Expiration Date	3/29/2036			3/29/2036	3/30/2040
Original assessed value	\$27,581,200	\$ 4,978,400	\$ 10,641,700	\$15,620,100	\$4,599,600
Total captured assessed value at 6/30/14	\$41,010,700	\$ 6,609,100	\$ 3,720,100	\$10,329,200	\$3,838,072

NOTE 19 – COLLATERALIZATION

At June 30, 2014, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at The Bank of Maine. This letter of credit, which expires at the close of business on October 8, 2014, authorizes one draw only up to the amount of \$900,000. There were no draws for the year ended June 30, 2014.

At June 30, 2014, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People's United Bank. This letter of credit, which expires at the close of business on July 16, 2014, authorizes one draw only up to the amount of \$15,000,000. There were no draws for the year ended June 30, 2014.

At June 30, 2014, the Town has a third party securities pledge issued by the Federal Reserve Bank of Boston serving as collateral for its deposits held at Kennebunk Savings Bank. This pledge, which expires at the close of business on January 1, 2019, authorizes securities to be held up to the amount of \$300,000. There were no draws for the year ended June 30, 2014.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Funding Progress for Retiree Healthcare Plan

TOWN OF KENNEBUNK, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 8,648,471	\$ 8,648,471	\$ 8,648,471	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	29,776,788	29,776,788	29,744,800	(31,988)
Excise Taxes	1,714,500	1,714,500	2,056,887	342,387
Intergovernmental Revenues:				
State Revenue Sharing	400,000	400,000	446,653	46,653
Homestead Reimbursement	163,037	163,037	157,389	(5,648)
Local Road Assistance	140,000	140,000	169,772	29,772
Other	251,011	207,011	222,335	15,324
Interest Income	60,000	60,000	34,233	(25,767)
Interest on Taxes/Lien Costs	37,500	37,500	80,573	43,073
Charges for Service	1,576,750	1,576,750	2,040,856	464,106
Miscellaneous Revenues	150,144	150,144	167,997	17,853
Transfers from Other Funds	4,000	4,000	41,914	37,914
Amounts Available for Appropriation	<u>42,922,201</u>	<u>42,878,201</u>	<u>43,811,880</u>	<u>933,679</u>
Charges to Appropriations (Outflows):				
General Government	1,827,797	1,906,235	1,790,963	115,272
Public Safety	3,943,260	3,943,260	3,827,191	116,069
Public Works	1,104,423	1,104,423	1,182,428	(78,005)
Education	20,660,409	20,660,409	20,660,409	-
County Tax	1,272,817	1,272,817	1,272,817	-
Recreation and Culture	1,236,870	1,236,870	1,321,385	(84,515)
Health and Welfare	310,235	333,831	272,622	61,209
Employee Benefits	1,599,207	1,599,207	1,582,080	17,127
Agency Requests	32,115	34,005	32,115	1,890
Unclassified	822,884	855,414	112,495	742,919
Transfers to Other Funds	1,585,024	2,255,906	2,255,906	-
Total Charges to Appropriations	<u>34,395,041</u>	<u>35,202,377</u>	<u>34,310,411</u>	<u>891,966</u>
Budgetary Fund Balance, June 30	<u>\$ 8,527,160</u>	<u>\$ 7,675,824</u>	<u>\$ 9,501,469</u>	<u>\$ 1,825,645</u>
Utilization of committed fund balance	\$ 121,311	\$ 840,026	\$ -	\$ (840,026)
Utilization of assigned fund balance	-	132,621	-	(132,621)
	<u>\$ 121,311</u>	<u>\$ 972,647</u>	<u>\$ -</u>	<u>\$ (972,647)</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTHCARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial (UAL) Liability (AAL) (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 463,005	0.0%	\$ 2,904,791	15.9%
6/30/2010	\$ -	\$ 463,005	0.0%	\$ 3,056,808	15.1%
6/30/2011	\$ -	\$ 322,225	0.0%	\$ 3,218,664	10.0%
6/30/2012	\$ -	\$ 322,225	0.0%	\$ 3,159,958	10.2%
6/30/2013	\$ -	\$ 277,670	0.0%	\$ 2,934,139	9.5%
6/30/2014	\$ -	\$ 277,670	0.0%	\$ 2,976,194	9.3%

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General Government expenses	\$ 595,034	\$ 10,623	\$ 605,657	\$ 576,862	\$ 28,795
Selectmen	30,111	-	30,111	24,697	5,414
Town Manager	165,107	-	165,107	165,134	(27)
Town Clerk	87,352	-	87,352	76,554	10,798
Ballot Clerks	30,650	-	30,650	28,842	1,808
Assessors	173,713	2,547	176,260	166,108	10,152
Town Planner	349,833	5,346	355,179	341,469	13,710
Town Hall	183,120	-	183,120	178,340	4,780
Computer Department	173,019	7,760	180,779	166,438	14,341
Conservation Commission	-	12,212	12,212	1,016	11,196
Site Plan Review Board	4,810	-	4,810	3,853	957
Zoning Board of Appeals	1,200	-	1,200	1,512	(312)
Board of Assessment Review	1,000	-	1,000	113	887
Dog Advisory Committee	200	-	200	122	78
Historic Preservation Committee	1,700	-	1,700	9,805	(8,105)
Lower Village Committee	2,500	8,672	11,172	-	11,172
Downtown Committee	2,400	6,898	9,298	9,121	177
Economic Development Committee	-	5,139	5,139	4,083	1,056
West Kennebunk Village Committee	2,000	4,346	6,346	3,968	2,378
Human Resources Committee	-	4,926	4,926	4,500	426
Energy Efficiency Committee	2,100	2,808	4,908	3,328	1,580
Tree Committee	2,000	3,328	5,328	2,266	3,062
Affordable Housing Committee	200	-	200	-	200
Bicentennial Committee	500	3,833	4,333	-	4,333
Community Garden Committee	2,080	-	2,080	6,682	(4,602)
Planning Board	17,168	-	17,168	16,150	1,018
	<u>1,827,797</u>	<u>78,438</u>	<u>1,906,235</u>	<u>1,790,963</u>	<u>115,272</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public Works -					
Highway	1,104,423	-	1,104,423	1,182,428	(78,005)
	<u>1,104,423</u>	<u>-</u>	<u>1,104,423</u>	<u>1,182,428</u>	<u>(78,005)</u>
Education	20,660,409	-	20,660,409	20,660,409	-
County Tax	1,272,817	-	1,272,817	1,272,817	-
Recreation and Culture -					
Life Guards	51,734	-	51,734	48,133	3,601
Parks	34,600	-	34,600	37,290	(2,690)
Recreation	640,702	-	640,702	726,128	(85,426)
Kennebunk Free Library	509,834	-	509,834	509,834	-
	<u>1,236,870</u>	<u>-</u>	<u>1,236,870</u>	<u>1,321,385</u>	<u>(84,515)</u>
Health And Welfare -					
Recycling	225,235	-	225,235	225,235	-
Solid Waste	8,000	-	8,000	11,368	(3,368)
Social Services	77,000	23,596	100,596	36,019	64,577
	<u>310,235</u>	<u>23,596</u>	<u>333,831</u>	<u>272,622</u>	<u>61,209</u>
Employee Benefits -					
Health Benefits	914,625	-	914,625	868,079	46,546
FICA	378,134	-	378,134	371,553	6,581
Retirement	149,255	-	149,255	203,382	(54,127)
Workers Comp	138,472	-	138,472	123,940	14,532
Unemployment Comp	18,721	-	18,721	15,126	3,595
	<u>1,599,207</u>	<u>-</u>	<u>1,599,207</u>	<u>1,582,080</u>	<u>17,127</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Agency Requests -					
SMMC Visiting Nurses	5,000	-	5,000	5,000	-
Biddeford Free Clinic	1,000	-	1,000	1,000	-
Day One	1,500	-	1,500	1,500	-
So. Maine Parent Awareness	1,530	1,890	3,420	1,530	1,890
York County Child Abuse Council	1,700	-	1,700	1,700	-
York County Community Action	4,900	-	4,900	4,900	-
Counseling Services Inc.	3,800	-	3,800	3,800	-
Caring Unlimited	2,595	-	2,595	2,595	-
Catholic Charities	500	-	500	500	-
So. Maine Area Agency on Aging	2,500	-	2,500	2,500	-
Sexual Assault Response Services	1,000	-	1,000	1,000	-
Senior Center at Lower Village	1,000	-	1,000	1,000	-
American Red Cross	500	-	500	500	-
Home Health Visiting Nurses	3,090	-	3,090	3,090	-
Seacoast Shipyard Association	1,300	-	1,300	1,300	-
Church Community Outreach	200	-	200	200	-
	<u>32,115</u>	<u>1,890</u>	<u>34,005</u>	<u>32,115</u>	<u>1,890</u>
Public Safety -					
Police	1,778,585	-	1,778,585	1,729,797	48,788
Ambulance	855,501	-	855,501	817,543	37,958
Communications	283,497	-	283,497	281,590	1,907
Civil Emergency Preparedness	5,226	-	5,226	3,924	1,302
Hydrants & Street Lights	412,844	-	412,844	413,785	(941)
Fire Department	<u>607,607</u>	<u>-</u>	<u>607,607</u>	<u>580,552</u>	<u>27,055</u>
	<u>3,943,260</u>	<u>-</u>	<u>3,943,260</u>	<u>3,827,191</u>	<u>116,069</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Operational Contingency	-	32,530	32,530	5,110	27,420
Historian	500	-	500	-	500
Harbormaster	15,270	-	15,270	10,963	4,307
Tree Warden	3,500	-	3,500	6,080	(2,580)
Memorial Day	800	-	800	800	-
Facilities	97,654	-	97,654	89,542	8,112
Overlay	705,160	-	705,160	-	705,160
	<u>822,884</u>	<u>32,530</u>	<u>855,414</u>	<u>112,495</u>	<u>742,919</u>
Transfers to Other Funds -					
Special Revenue Funds	824,912	-	824,912	824,912	-
Capital Project Funds	760,112	510,700	1,270,812	1,270,812	-
Proprietary Funds	-	160,182	160,182	160,182	-
	<u>1,585,024</u>	<u>670,882</u>	<u>2,255,906</u>	<u>2,255,906</u>	<u>-</u>
Totals	<u>\$ 34,395,041</u>	<u>\$ 807,336</u>	<u>\$ 35,202,377</u>	<u>\$ 34,310,411</u>	<u>\$ 891,966</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 82,962	\$ 82,962
Due from other funds	1,533,656	1,929,746	-	3,463,402
TOTAL ASSETS	<u>\$ 1,533,656</u>	<u>\$ 1,929,746</u>	<u>\$ 82,962</u>	<u>\$ 3,546,364</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	113,768	85,024	14,091	212,883
TOTAL LIABILITIES	<u>113,768</u>	<u>85,024</u>	<u>14,091</u>	<u>212,883</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,367,992	256,762	68,871	1,693,625
Committed	-	1,661,949	-	1,661,949
Assigned	165,664	11,035	-	176,699
Unassigned	(113,768)	(85,024)	-	(198,792)
TOTAL FUND BALANCES	<u>1,419,888</u>	<u>1,844,722</u>	<u>68,871</u>	<u>3,333,481</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,533,656</u>	<u>\$ 1,929,746</u>	<u>\$ 82,962</u>	<u>\$ 3,546,364</u>

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE C

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ -	\$ 1,525	\$ -	\$ 1,525
Charges for services	-	17,100	-	17,100
Interest income	-	-	186	186
Other	13,766	40,156	-	53,922
TOTAL REVENUES	<u>13,766</u>	<u>58,781</u>	<u>186</u>	<u>72,733</u>
EXPENDITURES				
Administration	176,141	15,574	-	191,715
Public works	-	8,191	-	8,191
Public safety	-	15,789	-	15,789
Recreation	-	15,991	-	15,991
Debt service:				
Principal	148,000	1,020,090	-	1,168,090
Interest	112,609	182,892	-	295,501
Capital outlay	743,964	772,715	-	1,516,679
Unclassified	74,745	-	1,112	75,857
TOTAL EXPENDITURES	<u>1,255,459</u>	<u>2,031,242</u>	<u>1,112</u>	<u>3,287,813</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,241,693)</u>	<u>(1,972,461)</u>	<u>(926)</u>	<u>(3,215,080)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	2,258,000	1,330,000	-	3,588,000
Premiums on bond issuance	-	220,691	-	220,691
Bond issuance costs	-	(41,178)	-	(41,178)
Transfers in	824,912	1,280,812	-	2,105,724
Transfers (out)	(37,914)	(15,000)	(4,000)	(56,914)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,044,998</u>	<u>2,775,325</u>	<u>(4,000)</u>	<u>5,816,323</u>
NET CHANGE IN FUND BALANCES	1,803,305	802,864	(4,926)	2,601,243
FUND BALANCES, JULY 1	<u>(383,417)</u>	<u>1,041,858</u>	<u>73,797</u>	<u>732,238</u>
FUND BALANCES, JUNE 30	<u>\$ 1,419,888</u>	<u>\$ 1,844,722</u>	<u>\$ 68,871</u>	<u>\$ 3,333,481</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds Description

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE D

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	33,430	34,998	97,236	975,140	392,852	-	1,533,656
TOTAL ASSETS	<u>\$ 33,430</u>	<u>\$ 34,998</u>	<u>\$ 97,236</u>	<u>\$ 975,140</u>	<u>\$ 392,852</u>	<u>\$ -</u>	<u>\$ 1,533,656</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,768	\$ 113,768
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,768</u>	<u>113,768</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	975,140	392,852	-	1,367,992
Committed	-	-	-	-	-	-	-
Assigned	33,430	34,998	97,236	-	-	-	165,664
Unassigned	-	-	-	-	-	(113,768)	(113,768)
TOTAL FUND BALANCES	<u>33,430</u>	<u>34,998</u>	<u>97,236</u>	<u>975,140</u>	<u>392,852</u>	<u>(113,768)</u>	<u>1,419,888</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,430</u>	<u>\$ 34,998</u>	<u>\$ 97,236</u>	<u>\$ 975,140</u>	<u>\$ 392,852</u>	<u>\$ -</u>	<u>\$ 1,533,656</u>

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE E

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Totals
REVENUES	\$ -	\$ -	\$ 13,766	\$ -	\$ -	\$ -	\$ 13,766
EXPENDITURES							
Administration	-	-	-	160,161	14,903	1,077	176,141
Debt service:							
Principal	-	-	-	148,000	-	-	148,000
Interest	-	-	-	90,082	11,799	10,728	112,609
Capital outlay	-	-	-	566,399	162,702	14,863	743,964
Unclassified	-	-	-	74,745	-	-	74,745
EXPENDITURES	-	-	-	1,039,387	189,404	26,668	1,255,459
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	13,766	(1,039,387)	(189,404)	(26,668)	(1,241,693)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	1,067,000	591,000	600,000	2,258,000
Transfers in	-	-	-	613,110	154,422	57,380	824,912
Transfers (out)	-	-	-	-	(37,914)	-	(37,914)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	1,680,110	707,508	657,380	3,044,998
NET CHANGE IN FUND BALANCES	-	-	13,766	640,723	518,104	630,712	1,803,305
FUND BALANCES, JULY 1	33,430	34,998	83,470	334,417	(125,252)	(744,480)	(383,417)
FUND BALANCES, JUNE 30	\$ 33,430	\$ 34,998	\$ 97,236	\$ 975,140	\$ 392,852	\$ (113,768)	\$ 1,419,888

See accompanying independent auditors' report and notes to financial statements.

Capital Project Funds

Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds. The projects also include significant purchases of vehicles and equipment, as well as the servicing of leases and bonds associated with those purchases. Projects are generally segregated by the related Town department managing the project.

SCHEDULE F

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2014

	Fire/Ambulance Projects					
	West Kennebunk Fire Station	Dry Hydrants	Dorothy Stevens Center	Public Works Equipment	Police Vehicles & Equipment	Town Hall Roof Repair
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	22,181	9,969	258	-	14,254	60,000
TOTAL ASSETS	<u>\$ 22,181</u>	<u>\$ 9,969</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ 14,254</u>	<u>\$ 60,000</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ 15,563	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,563</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	22,181	9,969	258	-	14,254	60,000
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(15,563)	-	-
TOTAL FUND BALANCES	<u>22,181</u>	<u>9,969</u>	<u>258</u>	<u>(15,563)</u>	<u>14,254</u>	<u>60,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,181</u>	<u>\$ 9,969</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ 14,254</u>	<u>\$ 60,000</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2014

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Skateboard Park	Park St. & Cousens Sch. Purchase	Mousam Ridge Drainage
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	24,070	700,525	93,244	100,000	405,565	-
TOTAL ASSETS	<u>\$ 24,070</u>	<u>\$ 700,525</u>	<u>\$ 93,244</u>	<u>\$ 100,000</u>	<u>\$ 405,565</u>	<u>\$ -</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,393
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,393</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	100,000	-	-
Committed	39,070	685,525	93,244	-	405,565	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(29,393)
TOTAL FUND BALANCES	<u>39,070</u>	<u>685,525</u>	<u>93,244</u>	<u>100,000</u>	<u>405,565</u>	<u>(29,393)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 39,070</u>	<u>\$ 685,525</u>	<u>\$ 93,244</u>	<u>\$ 100,000</u>	<u>\$ 405,565</u>	<u>\$ -</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2014

	Budget Board	Public Works Projects Bicycle Impact	Parking Lots	West Kennebunk Field	Fire Ambulance Equipment	HVAC Systems & Insulation
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	105,372	134,041	33,948	15,899	35,378	45,581
TOTAL ASSETS	<u>\$ 105,372</u>	<u>\$ 134,041</u>	<u>\$ 33,948</u>	<u>\$ 15,899</u>	<u>\$ 35,378</u>	<u>\$ 45,581</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	134,041	-	15,899	-	-
Committed	105,372	-	33,948	-	35,378	45,581
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>105,372</u>	<u>134,041</u>	<u>33,948</u>	<u>15,899</u>	<u>35,378</u>	<u>45,581</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 105,372</u>	<u>\$ 134,041</u>	<u>\$ 33,948</u>	<u>\$ 15,899</u>	<u>\$ 35,378</u>	<u>\$ 45,581</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2014

	Town Hall Computer Hardware & Software	Parks & Recreation Projects	Capital Reserve/Impr.	Communications	April 16th Storm	Totals
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	11,035	-	111,321	283	6,822	1,929,746
TOTAL ASSETS	<u>\$ 11,035</u>	<u>\$ -</u>	<u>\$ 111,321</u>	<u>\$ 283</u>	<u>\$ 6,822</u>	<u>\$ 1,929,746</u>
LIABILITIES						
Due to other funds	\$ -	\$ 40,068	\$ -	\$ -	\$ -	\$ 85,024
TOTAL LIABILITIES	<u>-</u>	<u>40,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,024</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	6,822	256,762
Committed	-	-	111,321	283	-	1,661,949
Assigned	11,035	-	-	-	-	11,035
Unassigned	-	(40,068)	-	-	-	(85,024)
TOTAL FUND BALANCES	<u>11,035</u>	<u>(40,068)</u>	<u>111,321</u>	<u>283</u>	<u>6,822</u>	<u>1,844,722</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,035</u>	<u>\$ -</u>	<u>\$ 111,321</u>	<u>\$ 283</u>	<u>\$ 6,822</u>	<u>\$ 1,929,746</u>

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE G

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Fire/Ambulance Projects		Dorothy Stevens Center	Public Works Equipment	Police Vehicles & Equipment	Town Hall Roof Repair
	West Kennebunk Fire Station	Dry Hydrants				
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Other	5,000	-	-	-	-	-
TOTAL REVENUES	5,000	-	-	-	-	-
EXPENDITURES						
Administration	-	-	-	-	-	-
Public works	-	-	-	2,399	-	-
Public safety	6,000	-	-	-	-	-
Recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	222,552	88,296	-
TOTAL EXPENDITURES	6,000	-	-	224,951	88,296	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,000)	-	-	(224,951)	(88,296)	-
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	285,000	67,000	-
Premiums on bond issuance	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Transfers in	10,000	-	-	14,000	103,000	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10,000	-	-	299,000	170,000	-
NET CHANGE IN FUND BALANCES	9,000	-	-	74,049	81,704	-
FUND BALANCES, JULY 1	13,181	9,969	258	(89,612)	(67,450)	60,000
FUND BALANCES, JUNE 30	\$ 22,181	\$ 9,969	\$ 258	\$ (15,563)	\$ 14,254	\$ 60,000

SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Skateboard Park	Park St. & Cousens Sch. Purchase	Mousam Ridge Drainage
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Other	-	13,825	9,706	-	-	-
TOTAL REVENUES	-	13,825	9,706	-	-	-
EXPENDITURES						
Administration	-	-	10,378	-	-	-
Public works	-	-	-	-	5,792	-
Public safety	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Debt service:						
Principal	-	1,020,090	-	-	-	-
Interest	-	182,892	-	-	-	-
Capital outlay	-	-	21,047	-	-	167,393
TOTAL EXPENDITURES	-	1,202,982	31,425	-	5,792	167,393
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,189,157)	(21,719)	-	(5,792)	(167,393)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	230,000	-	100,000	-	128,000
Premiums on bond issuance	-	220,691	-	-	-	-
Bond issuance costs	-	(41,178)	-	-	-	-
Transfers in	15,000	935,112	5,000	-	-	-
Transfers (out)	-	(15,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,000	1,329,625	5,000	100,000	-	128,000
NET CHANGE IN FUND BALANCES	15,000	140,468	(16,719)	100,000	(5,792)	(39,393)
FUND BALANCES, JULY 1	24,070	545,057	109,963	-	411,357	10,000
FUND BALANCES, JUNE 30	\$ 39,070	\$ 685,525	\$ 93,244	\$ 100,000	\$ 405,565	\$ (29,393)

SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Budget Board	Public Works Projects Bicycle Impact	Parking Lots	West Kennebunk Field	Fire Ambulance Equipment	HVAC Systems & Insulation
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	17,100	-	-	-	-
Other	-	-	10,000	-	-	375
TOTAL REVENUES	-	17,100	10,000	-	-	375
EXPENDITURES						
Administration	3,664	-	-	-	-	-
Public works	-	-	-	-	-	-
Public safety	3,083	-	-	-	6,706	-
Recreation	-	-	-	14,991	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	16,895	-	8,752	-	45,804	108,919
TOTAL EXPENDITURES	23,642	-	8,752	14,991	52,510	108,919
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,642)	17,100	1,248	(14,991)	(52,510)	(108,544)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	40,000	-	375,000
Premiums on bond issuance	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Transfers in	25,000	-	36,700	-	47,000	15,000
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	-	36,700	40,000	47,000	390,000
NET CHANGE IN FUND BALANCES	1,358	17,100	37,948	25,009	(5,510)	281,456
FUND BALANCES, JULY 1	104,014	116,941	(4,000)	(9,110)	40,888	(235,875)
FUND BALANCES, JUNE 30	\$ 105,372	\$ 134,041	\$ 33,948	\$ 15,899	\$ 35,378	\$ 45,581

SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Town Hall Computer Hardware & Software	Parks & Recreation Projects	Capital Reserve/Impr.	Communications	April 16th Storm	Totals
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 1,525	\$ 1,525
Charges for services	-	-	-	-	-	17,100
Other	-	1,250	-	-	-	40,156
TOTAL REVENUES	-	1,250	-	-	1,525	58,781
EXPENDITURES						
Administration	1,532	-	-	-	-	15,574
Public works	-	-	-	-	-	8,191
Public safety	-	-	-	-	-	15,789
Recreation	-	1,000	-	-	-	15,991
Debt service:						
Principal	-	-	-	-	-	1,020,090
Interest	-	-	-	-	-	182,892
Capital outlay	-	93,057	-	-	-	772,715
TOTAL EXPENDITURES	1,532	94,057	-	-	-	2,031,242
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,532)	(92,807)	-	-	1,525	(1,972,461)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	105,000	-	-	-	1,330,000
Premiums on bond issuance	-	-	-	-	-	220,691
Bond issuance costs	-	-	-	-	-	(41,178)
Transfers in	-	50,000	25,000	-	-	1,280,812
Transfers (out)	-	-	-	-	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	155,000	25,000	-	-	2,775,325
NET CHANGE IN FUND BALANCES	(1,532)	62,193	25,000	-	1,525	802,864
FUND BALANCES, JULY 1	12,567	(102,261)	86,321	283	5,297	1,041,858
FUND BALANCES, JUNE 30	\$ 11,035	\$ (40,068)	\$ 111,321	\$ 283	\$ 6,822	\$ 1,844,722

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Kennebunk, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries.

SCHEDULE H

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2014

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Totals
		Monument Lot	Centennial Lot		
ASSETS					
Cash and cash equivalents	\$ 70,752	\$ 2,547	\$ 3,523	\$ 6,140	\$ 82,962
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 70,752</u>	<u>\$ 2,547</u>	<u>\$ 3,523</u>	<u>\$ 6,140</u>	<u>\$ 82,962</u>
LIABILITIES					
Due to other funds	\$ 7,951	\$ -	\$ -	\$ 6,140	\$ 14,091
TOTAL LIABILITIES	<u>7,951</u>	<u>-</u>	<u>-</u>	<u>6,140</u>	<u>14,091</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	62,801	2,547	3,523	-	68,871
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>62,801</u>	<u>2,547</u>	<u>3,523</u>	<u>-</u>	<u>68,871</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 70,752</u>	<u>\$ 2,547</u>	<u>\$ 3,523</u>	<u>\$ 6,140</u>	<u>\$ 82,962</u>

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE I

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Littlefield Educational Trust	Cemetery Trust Monument Lot	Centennial Lot	Martha Bragdon Trust	Totals
REVENUES					
Interest income	\$ 168	\$ 1	\$ 1	\$ 16	\$ 186
TOTAL REVENUES	<u>168</u>	<u>1</u>	<u>1</u>	<u>16</u>	<u>186</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112</u>	<u>1,112</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>168</u>	<u>1</u>	<u>1</u>	<u>(1,096)</u>	<u>(926)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(4,000)	-	-	-	(4,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
NET CHANGE IN FUND BALANCES	(3,832)	1	1	(1,096)	(4,926)
FUND BALANCES, JULY 1	<u>66,633</u>	<u>2,546</u>	<u>3,522</u>	<u>1,096</u>	<u>73,797</u>
FUND BALANCES, JUNE 30	<u>\$ 62,801</u>	<u>\$ 2,547</u>	<u>\$ 3,523</u>	<u>\$ -</u>	<u>\$ 68,871</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

SCHEDULE J

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2014

	Land and Non-depreciable Assets	Buildings Buildings Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Administration	\$ 2,091	\$ 548,029	\$ 898,308	\$ -	\$ 1,448,428
Police	75,100	1,650,222	1,524,382	-	3,249,704
Fire	97,900	2,216,344	3,985,868	-	6,300,112
Public Works	124,300	396,316	2,526,331	20,751,884	23,798,831
Parks & Recreation	79,100	406,385	706,403	-	1,191,888
Town Wide	<u>2,915,891</u>	<u>4,664,277</u>	<u>185,379</u>	<u>472,805</u>	<u>8,238,352</u>
Total General Capital Assets	3,294,382	9,881,573	9,826,671	21,224,689	44,227,315
Less: Accumulated Depreciation	<u>-</u>	<u>(5,502,334)</u>	<u>(6,871,854)</u>	<u>(8,979,624)</u>	<u>(21,353,812)</u>
Net General Capital Assets	<u>\$ 3,294,382</u>	<u>\$ 4,379,239</u>	<u>\$ 2,954,817</u>	<u>\$ 12,245,065</u>	<u>\$ 22,873,503</u>

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE K

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2014

	General Capital Assets 7/1/13	Additions	Deletions	General Capital Assets 6/30/14
Administration	\$1,339,508	\$ 108,920	\$ -	\$ 1,448,428
Police	3,161,407	88,297	-	3,249,704
Fire	6,221,192	78,920	-	6,300,112
Public Works	23,457,941	340,890	-	23,798,831
Parks & Recreation	1,085,295	106,593	-	1,191,888
Town Wide	<u>7,020,220</u>	<u>1,218,132</u>	<u>-</u>	<u>8,238,352</u>
Total General Capital Assets	42,285,563	1,941,752	-	44,227,315
Less: Accumulated Depreciation	<u>(19,852,188)</u>	<u>(1,501,624)</u>	<u>-</u>	<u>(21,353,812)</u>
Net General Capital Assets	<u>\$22,433,375</u>	<u>\$ 440,128</u>	<u>\$ -</u>	<u>\$ 22,873,503</u>

See accompanying independent auditors' report and notes to financial statements.

Statistical Information

Statistical information includes tables not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Regional School Unit (RSU) 21's Schools
- Enrollment Data of the Municipalities in the RSU
- State Valuation of the Municipalities in the RSU
- Historical Allocation for the RSU's Local Costs
- Building Permits
- Employment
- Fund Balance
- Tax Levy and Collections
- Ten Largest Taxpayers
- Ratio of Net General Bonded Debt to Assessed Value and General Bonded Debt Per Capita
- Debt Service Component of Operating Expenses
- Property Tax Levy Limit

TABLE 1

TOWN OF KENNEBUNK, MAINE
REGIONAL SCHOOL UNIT (RSU) 21'S SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014

School	Location	Grades
Kennebunk Elementary	Kennebunk	K-3
Mildred L Day	Arundel	K-5
Kennebunkport Consolidated	Kennebunkport	K-5
Sea Road School	Kennebunk	4-5
Middle School of the Kennebunks	Kennebunk	6-8
Kennebunk High School	Kennebunk	9-12

TABLE 2

TOWN OF KENNEBUNK, MAINE

ENROLLMENT DATA OF THE MUNICIPALITIES IN THE RSU
FOR THE YEARS ENDED JUNE 30,

Oct. 1, ⁽¹⁾	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 Students ⁽²⁾
	Students	%	Students	%	Students	%	
2013	596	22.4%	1,652	62.2%	409	15.4%	2,657
2012	585	21.9%	1,656	61.9%	433	16.2%	2,674
2011	600	22.4%	1,642	61.3%	435	16.3%	2,677
2010	611	22.4%	1,685	61.6%	437	16.0%	2,733
2009	619	22.0%	1,744	61.9%	452	16.1%	2,815
2008	NA	NA	1,773	79.3%	462	20.7%	2,235
2007	NA	NA	1,794	79.2%	470	20.8%	2,264
2006	NA	NA	1,871	79.5%	482	20.5%	2,353
2005	NA	NA	1,880	79.2%	494	20.8%	2,374
2004	NA	NA	1,881	78.9%	502	21.1%	2,383
2003	NA	NA	1,962	79.6%	504	20.4%	2,466

NOTE: "NA" indicates the period for which Arundel was an individual SAU.

⁽¹⁾ October 1 Public Resident Enrollment, State of Maine, Department of Education.⁽²⁾ Years 2003 – 2008 include only data for the former MSAD No. 71.

TABLE 3

TOWN OF KENNEBUNK, MAINE

STATE VALUATION OF THE MUNICIPALITIES IN THE RSU
FOR THE YEARS ENDED JUNE 30,

Fiscal Year	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 ESV(000) ⁽¹⁾
	ESV (000)	%	ESV (000)	%	ESV (000)	%	
2014	\$ 411,950	9.5%	\$ 2,085,300	48.2%	\$ 1,832,450	42.3%	\$ 4,329,700
2013	413,500	9.6%	2,097,550	48.5%	1,810,500	41.9%	4,321,550
2012	415,950	9.6%	2,128,300	49.0%	1,801,850	41.4%	4,346,100
2011	429,150	9.6%	2,126,200	47.3%	1,938,250	43.1%	4,493,600
2010	449,900	9.6%	2,288,950	49.1%	1,923,750	41.3%	4,662,600
2009	433,350	9.5%	2,360,650	51.5%	1,784,950	39.0%	4,578,950
2008	NA	NA	2,326,650	56.0%	1,828,650	44.0%	4,155,300
2007	NA	NA	2,239,800	57.2%	1,677,500	42.8%	3,917,300
2006	NA	NA	1,956,100	56.4%	1,510,450	43.6%	3,466,550
2005	NA	NA	1,802,100	56.8%	1,371,800	43.2%	3,173,900
2004	NA	NA	1,513,850	55.0%	1,237,500	45.0%	2,751,350
2003	NA	NA	1,362,850	56.6%	1,043,700	43.4%	2,406,550

NOTE: "NA" indicates the period for which Arundel was an individual SAU.

⁽¹⁾ Years 2003 – 2008 include only data for the former MSAD No. 71.

TABLE 4

TOWN OF KENNEBUNK, MAINE

HISTORICAL ALLOCATION FOR THE RSU'S LOCAL COSTS
FOR THE YEARS ENDED JUNE 30,

Municipality	2010/2011		2011/2012		2012/2013		2013/2014	
	Assessment	% Total	Assessment	% Total	Assessment	% Total	Assessment	% Total
Arundel	\$ 3,693,011	12.60%	\$ 3,918,960	13.30%	\$ 4,109,823	13.60%	\$ 4,071,486	12.60%
Kennebunk	19,252,939	65.90%	19,503,442	66.00%	19,544,108	64.40%	20,660,409	64.10%
Kennebunkport	<u>6,260,773</u>	<u>21.50%</u>	<u>6,107,648</u>	<u>20.70%</u>	<u>6,677,507</u>	<u>22.00%</u>	<u>7,521,509</u>	<u>23.30%</u>
Total	\$ 29,206,723	100.00%	\$ 29,530,050	100.00%	\$ 30,331,438	100.00%	\$ 32,253,404	100.00%

TABLE 5

TOWN OF KENNEBUNK, MAINE
BUILDING PERMITS
FOR THE YEARS ENDED JUNE 30,

Fiscal Year	Commercial		Residential		Total	
	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost
2014	221	\$ 2,612,550	391	\$ 18,608,385	612	\$ 21,220,935
2013	193	3,296,267	311	22,791,353	504	26,087,620
2012	237	46,144,062	402	24,674,584	639	70,818,646
2011	152	3,861,200	412	17,592,841	564	24,454,041
2010	182	4,144,062	419	18,330,806	601	22,474,868
2009	180	8,732,861	435	23,625,470	615	32,358,331
2008	119	6,871,227	483	24,229,907	602	31,101,134
2007	135	10,469,441	511	22,899,732	646	33,369,173
2006	66	13,883,000	461	23,410,042	527	37,293,042
2005	34	1,297,000	615	28,981,000	649	30,278,000
2004	31	3,480,800	557	28,319,305	588	31,800,105
2003	32	1,243,128	537	18,306,062	569	19,549,190

SOURCE: Town of Kennebunk, Maine Code Enforcement Office

TABLE 6

TOWN OF KENNEBUNK, MAINE
EMPLOYMENT
FOR THE YEAR ENDED JUNE 30, 2014

Representative Employer	Type of Business	Approximate Number of Employees
RSU 21	School Administrative Unit	479
Corning	Medical Lab Equipment Manufacturer	288
Kennebunk Savings Bank	Bank & Insurance	150
Sunrise Senior Living	Assisted Living Facility	150
Southern Maine Medical / PrimeCare	Health Care	150
Town of Kennebunk	Town Government	130
RiverRidge Center	Brain Injury Rehab Center	117
HMS Host	Turnpike Service	100
Home Instead Care Services	Home Care Services	100
Kennebunk Ctr for Health & Rehab	Assisted Living Facility & Rehabilitation	92
Atria	Assisted Living Facility	52
Plixer	Software	50
Hannaford	Food & Pharmacy	50
Downeast Energy	Petroleum Distributor	50
KKW Water District	Water Utility	41

TABLE 7

TOWN OF KENNEBUNK, MAINE
FUND BALANCE
FOR THE YEARS ENDED JUNE 30,

	2010	2011	2012	2013	2014
Assigned and Unassigned ⁽¹⁾ General Fund Balance	\$ 7,576,320	\$ 7,091,796	\$ 7,138,394	\$ 7,576,962	\$ 8,254,400
Total Revenues (Current Year)	31,009,665	32,338,176	32,371,733	33,365,015	35,121,495
Fund Balance as % Revenues	24.43%	21.93%	22.05%	22.71%	23.50%
Unassigned ⁽²⁾ General Fund Balance	\$ 6,415,490	\$ 6,873,273	\$ 7,011,232	\$ 7,444,341	\$ 8,154,810
Budgeted Revenue	29,931,524	31,609,916	32,213,394	32,031,797	34,269,730
Fund Balance as % Budgeted Revenue	21.43%	21.74%	21.76%	23.24%	23.80%

NOTE: ⁽¹⁾ The Town implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as "Unreserved".

⁽²⁾ The Town implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as "Undesignated".

TABLE 8

TOWN OF KENNEBUNK, MAINE
TAX LEVY AND COLLECTIONS
FOR THE YEARS ENDED JUNE 30,

Fiscal Year	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (After Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy a/o 08/31/14
2014	\$ 2,085,300	\$ 1,991,757	\$ 14.95	\$ 29,777	\$ 29,067	97.62%	98.8%
2013	2,097,550	1,944,205	14.40	27,997	27,257	97.36%	99.5%
2012	2,128,300	1,936,881	14.40	27,891	27,085	97.11%	99.8%
2011	2,126,200	1,922,409	14.30	27,490	26,816	97.55%	99.8%
2010	2,288,950	1,897,950	13.95	26,476	25,781	97.37%	99.8%
2009	2,360,650	1,886,460	13.85	26,135	25,360	97.43%	99.9%
2008	2,326,650	1,866,643	12.85	23,986	23,290	97.10%	99.9%
2007	2,239,800	1,840,781	12.05	22,181	21,506	96.96%	99.9%
2006	1,956,100	1,812,815	11.35	20,537	20,102	97.88%	99.9%
2005	1,802,100	1,800,755	10.95	19,718	19,321	97.78%	99.9%
2004	1,513,850	1,768,116	10.90	19,272	18,009	93.45%	99.9%
2003	1,362,850	791,176	21.95	17,366	15,916	91.65%	99.9%

TABLE 9

TOWN OF KENNEBUNK, MAINE
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2014

Taxpayer	Business	As of April 1, 2014				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Central Maine Power Co	Electric Utility	\$ 42,982,000	\$ 11,400	\$ 42,993,400	\$ 640,602	2.12%
Corning Inc	Lab Equipment Manf	10,009,400	14,591,500	24,600,900	366,553	1.21%
Shape Drive Medical Ctr LLC	Medical Facility	18,921,600	-	18,921,600	281,932	0.93%
Sunrise Kennebunk Sr Lvg LLC	Ass'td Living Facility	17,855,500	-	17,855,500	266,047	0.88%
Kennebunk Savings Bank	Bank & Insurance	7,611,500	1,944,100	9,555,600	142,378	0.47%
Maritimes & Northeast Pipeline	Natural Gas Pipeline	8,620,000	-	8,620,000	128,438	0.42%
GI Kennebunk LLC	Comm Prop/Shop Ctr	7,749,600	-	7,749,600	115,469	0.38%
VTR Kennebunk LLC	Ass'td Living Facility	7,604,400	-	7,604,400	113,306	0.37%
Farley, William F	Private Residence	5,575,700	-	5,575,700	83,078	0.27%
William Arthur Inc	Stationary Printer	5,154,600	-	5,154,600	76,804	0.25%
Top Ten Taxpayers				\$ 148,631,300	\$ 2,214,607	7.30%

TABLE 10

TOWN OF KENNEBUNK, MAINE

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND GENERAL BONDED DEBT PER CAPITA
FOR THE YEARS ENDED JUNE 30,

Fiscal Year	Population ⁽¹⁾	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2014	10,798	\$ 2,097,550	\$ 1,991,757	\$ 10,764,000	0.52%	\$ 996.85
2013	10,798	2,097,550	1,944,205	6,685,000	0.32%	619.10
2012	10,798	2,128,300	1,936,881	7,445,000	0.35%	689.48
2011	10,798	2,126,200	1,922,409	8,200,000	0.39%	759.40
2010	10,798	2,288,950	1,897,950	8,957,000	0.39%	829.51
2009	10,476	2,360,650	1,886,460	3,075,000	0.13%	293.53
2008	10,476	2,326,650	1,866,643	3,445,000	0.15%	328.85
2007	10,476	2,239,800	1,840,781	3,810,000	0.17%	363.69
2006	10,476	1,956,100	1,812,816	3,125,000	0.16%	298.30
2005	10,476	1,802,100	1,800,755	3,515,000	0.20%	335.53
2004	10,476	1,513,850	1,768,116	3,805,000	0.25%	363.21

NOTE: ⁽¹⁾ U.S. Census

TABLE 11

TOWN OF KENNEBUNK, MAINE

DEBT SERVICE COMPONENT OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30,

	Actual				Budgeted
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Debt Service from General Fund:	\$ 807,978	\$ 774,835	\$ 762,324	\$ 799,613	\$ 1,066,139
Debt Service from TIF Funds:	<u>238,953</u>	<u>223,581</u>	<u>221,361</u>	<u>260,610</u>	<u>484,490</u>
Total Current Year Debt Service:	\$ 1,046,931	\$ 998,416	\$ 983,685	\$ 1,060,223	\$ 1,550,629
Budgeted Operating Expense:	\$ 30,476,754	\$ 30,942,079	\$ 30,523,285	\$ 32,810,017	\$ 33,297,422
Debt Service as % Operating Expense:	3.44%	3.23%	3.22%	3.23%	4.66%

TABLE 12

TOWN OF KENNEBUNK, MAINE
PROPERTY TAX LEVY LIMIT
FOR THE YEARS ENDED JUNE 30,

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
State Personal Income Factor:	2.28%	1.78%	1.66%	1.43%	1.05%
Local Property Growth Factor:	<u>2.19%</u>	<u>1.26%</u>	<u>1.27%</u>	<u>0.75%</u>	<u>0.80%</u>
Growth Limitation Factor:	4.47%	3.04%	2.93%	2.18%	1.85%
Property Tax Levy Limit: \$	6,307,868	\$ 6,499,627	\$ 6,690,067	\$ 6,767,007	\$ 6,892,197
Property Tax Levy:	<u>6,080,261</u>	<u>6,065,431</u>	<u>6,050,698</u>	<u>6,120,059</u>	<u>6,313,472</u>
Over/(below) Prop Tax Levy Limit: \$	(227,607)	\$ (434,196)	\$ (639,369)	\$ (646,948)	\$ (578,725)